

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA
STATE OF LOUISIANA
RIVERLAND MEDICAL CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2004, 2003 AND 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/18/05

**PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002**

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**PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004**

This section of the District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on September 30, 2004. Please read it in conjunction with the financial statements in this report

Financial Highlights

- The District's total assets increased by approximately \$2,356,000 or approximately 38%.
- During the year, the District's total operating revenues decreased approximately \$374,000 or 3% to \$13,495,000 from the prior year while expenses decreased approximately \$17,000 or .1%. The District had a loss from operations of approximately \$1,371,000 which compares to a loss of \$1,000,000 the previous year.
- The net patient service revenue decreased approximately \$473,000 to approximately \$12,693,000 from the prior year's net patient service revenue of approximately \$13,167,000.
- The District has net assets of approximately \$3,187,000 as of September 30, 2004.

Required Financial Statements

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses and Changes in Net Assets. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The Balance Sheets and the Statements of Revenue, Expenses, and Changes in Net Assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2004

Net Assets

A summary of the District's Balance Sheets are presented in Table 1 below:

TABLE 1
Condensed Balance Sheets

	<u>2004</u>	<u>2003</u>	<u>\$ Change</u>	<u>% Change</u>
Total current assets	\$ 5,062,346	\$ 2,882,020	\$ 2,180,326	75.65%
Capital assets - net	3,274,452	3,157,571	116,881	3.70%
Other assets	<u>264,384</u>	<u>205,677</u>	<u>58,707</u>	<u>28.54%</u>
Total assets	\$ <u>8,601,182</u>	\$ <u>6,245,268</u>	\$ <u>2,355,914</u>	<u>37.72%</u>
Current liabilities	\$ 4,849,877	\$ 1,500,052	\$ 3,349,825	223.31%
Long-term debt outstanding and other long-term liabilities	<u>563,994</u>	<u>186,583</u>	<u>377,411</u>	<u>202.28%</u>
Total liabilities	<u>5,413,871</u>	<u>1,686,635</u>	<u>3,727,236</u>	<u>220.99%</u>
Invested in capital assets, net of related debt	2,598,692	2,836,081	(237,389)	-8.37%
Unrestricted net assets	<u>588,619</u>	<u>1,722,552</u>	<u>(1,133,933)</u>	<u>-65.83%</u>
Total net assets	<u>3,187,311</u>	<u>4,558,633</u>	<u>(1,371,322)</u>	<u>-30.08%</u>
Total liabilities and net assets	\$ <u>8,601,182</u>	\$ <u>6,245,268</u>	\$ <u>2,355,914</u>	<u>37.72%</u>

As can be seen in Table 1, total assets increased by \$2,356,000 in fiscal year 2004 up from \$6,245,000 in fiscal year 2003. The change in total net assets resulted from a net operating loss for the current year.

Summary of Revenue, Expenses and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended September 30, 2004 and 2003

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2004

TABLE 2
Condensed Statements of Revenue, Expenses and
Changes in Net Assets

	<u>2004</u>	<u>2003</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue:				
Net patient service revenue	\$ 12,693,294	\$ 13,166,779	\$ (473,485)	-3.60%
Sales tax revenue	427,487	408,031	19,456	4.77%
Other revenue	<u>374,018</u>	<u>294,220</u>	<u>79,798</u>	<u>27.12%</u>
Total revenue	13,494,799	13,869,030	(374,231)	-2.70%
Expenses:				
Salaries and benefits	6,874,082	6,340,221	533,861	8.42%
Medical supplies and drugs	1,719,177	1,715,110	4,067	0.24%
Insurance	290,612	263,775	26,837	10.17%
Professional fees	1,509,618	1,709,211	(199,593)	-11.68%
Other expenses	1,743,980	1,798,302	(54,322)	-3.02%
Provision for bad debt	2,319,368	2,672,673	(353,305)	-13.22%
Depreciation and amortization	373,573	367,528	6,045	1.64%
Interest	<u>37,213</u>	<u>17,957</u>	<u>19,256</u>	<u>107.23%</u>
Total expenses	<u>14,867,623</u>	<u>14,884,777</u>	<u>(17,154)</u>	<u>-0.12%</u>
Operating income (loss)	(1,372,824)	(1,015,747)	(357,077)	35.15%
Nonoperating income:				
Interest income	<u>1,502</u>	<u>15,962</u>	<u>(14,460)</u>	<u>-90.59%</u>
Excess of revenue (expenses)	(1,371,322)	(999,785)	(371,537)	37.16%
Net assets at beginning of year	<u>4,558,633</u>	<u>5,558,418</u>	<u>(999,785)</u>	<u>-17.99%</u>
Net assets at end of year	\$ <u>3,187,311</u>	\$ <u>4,558,633</u>	\$ <u>(1,371,322)</u>	<u>-30.08%</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2004

Sources of Revenue

Operating Revenue

During fiscal year 2004, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, sales tax revenue and grant revenue.

Capital Assets

During fiscal year 2004, the District invested approximately \$495,000 in capital assets included in Table 3 below. The increase in buildings and fixed equipment resulted from a new roof placed upon the hospital during fiscal year 2004.

TABLE 3
Capital Assets

	September 30, <u>2004</u>	September 30, <u>2003</u>	<u>\$ Change</u>	<u>% Change</u>
Land and land improvements	\$ 255,927	\$ 256,331	\$ (404)	-0.16%
Buildings and fixed equipment	5,121,210	4,733,625	387,585	8.19%
Leasehold improvements	27,197	38,577	(11,380)	-29.50%
Equipment	<u>6,114,479</u>	<u>6,013,557</u>	<u>100,922</u>	<u>1.68%</u>
 Total	 11,518,813	 11,042,090	 476,723	 4.32%
Less: accumulated depreciation	<u>8,244,361</u>	<u>7,884,519</u>	<u>359,842</u>	<u>4.56%</u>
Net property, plant, and equipment	\$ <u>3,274,452</u>	\$ <u>3,157,571</u>	\$ <u>116,881</u>	<u>3.70%</u>

Net property, plant and equipment have increased only slightly because of a lack of funding. The District purchased new Radiology and Respiratory equipment resulting in the increase in equipment for 2004.

Long-term Debt

At year-end, the District had \$564,000 in long-term debt. Certificates of indebtedness were issued for \$500,000 to finance a new roof for the hospital facility. Total long-term debt outstanding represents 7% of the District's total assets at September 30, 2004.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2004

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Riverland Medical Center Administration.

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Parishwide Hospital Service District
of the Parish of Concordia,
State of Louisiana
("Riverland Medical Center")
Ferryday, Louisiana

We have audited the accompanying basic financial statements of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana, Riverland Medical Center (the "District"), a component unit of the Concordia Parish Police Jury, as of and for the years ended September 30, 2004, 2003 and 2002, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riverland Medical Center, as of September 30, 2004, 2003 and 2002, and the results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that Riverland Medical Center will continue as a going concern. As discussed in Note 19 to the financial statements, under existing circumstances, there is substantial doubt about the ability of Riverland Medical Center to continue as a going concern at September 30, 2004. Management's plans in regard to that matter also are described in Note 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Commissioners
Parishwide Hospital Service District
of the Parish of Concordia, State of Louisiana
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In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 2 to the financial statements, effective October 1, 2002, the District changed its accounting policy related to financial statement presentation to comply with the provisions of Statement No. 34 of the Governmental Accounting Standards Board.

Management's discussion and analysis on pages "i" through "v" is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants

February 3, 2005

RIVERLAND MEDICAL CENTER
BALANCE SHEETS
SEPTEMBER 30, 2004, 2003 AND 2002

ASSETS	<u>2004</u>	<u>2003</u>	<u>2002</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 1,804,472	\$ -0-	\$ 448,488
Accounts receivable, net of estimated uncollectibles (Note 4)	2,896,804	2,482,897	2,515,065
Estimated third-party payor settlements	-0-	-0-	189,846
Inventory	292,003	363,616	345,123
Prepaid expenses	66,499	33,478	39,367
Other receivables	<u>2,568</u>	<u>2,029</u>	<u>9,014</u>
Total Current Assets	<u>5,062,346</u>	<u>2,882,020</u>	<u>3,546,903</u>
Non-Current Assets			
Property, plant and equipment, net (Note 5)	3,274,452	3,157,571	3,119,727
Other assets (Note 6)	<u>264,384</u>	<u>205,677</u>	<u>163,211</u>
Total Assets	<u>\$ 8,601,182</u>	<u>\$ 6,245,268</u>	<u>\$ 6,829,841</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Overdraft	\$ -0-	\$ 26,390	\$ -0-
Accounts payable	501,299	457,042	197,001
Accrued expenses and withholdings payable (Note 7)	990,582	840,077	799,882
Estimated third-party payor settlements (Note 9)	3,246,230	41,636	-0-
Current maturities of long-term debt	<u>111,766</u>	<u>134,907</u>	<u>119,940</u>
Total Current Liabilities	<u>4,849,877</u>	<u>1,500,052</u>	<u>1,116,823</u>
Long-term debt, net of current maturities (Note 11)	<u>563,994</u>	<u>186,583</u>	<u>154,600</u>
Total Liabilities	<u>5,413,871</u>	<u>1,686,635</u>	<u>1,271,423</u>
Net Assets			
Invested in capital assets, net of related debt	2,598,692	2,836,081	2,845,187
Unrestricted net assets	<u>588,619</u>	<u>1,722,552</u>	<u>2,713,231</u>
Total Net Assets	<u>3,187,311</u>	<u>4,558,633</u>	<u>5,558,418</u>
Total Liabilities and Net Assets	<u>\$ 8,601,182</u>	<u>\$ 6,245,268</u>	<u>\$ 6,829,841</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue			
Net patient service revenue	\$ 12,693,294	\$ 13,166,779	\$ 12,644,503
Sales tax revenue (Note 15)	427,487	408,031	384,029
Grant revenue	112,974	66,510	6,959
Gain (loss) on disposal of assets	(27)	(20,373)	4,265
Other revenue	<u>261,071</u>	<u>248,083</u>	<u>267,329</u>
 Total Revenue	 <u>13,494,799</u>	 <u>13,869,030</u>	 <u>13,307,085</u>
 Expenses			
Salaries and benefits	6,874,082	6,340,221	6,212,903
Medical supplies and drugs	1,719,177	1,715,110	1,510,488
Professional fees	1,509,618	1,709,211	1,216,996
Other expenses	1,341,154	1,441,552	1,260,956
Lease expense	83,292	61,711	78,827
Insurance	290,612	263,775	276,692
Retirement	319,534	295,039	277,545
Interest	37,213	17,957	19,870
Depreciation and amortization	373,573	367,528	386,839
Provision for bad debt	<u>2,319,368</u>	<u>2,672,673</u>	<u>2,371,304</u>
 Total Expenses	 <u>14,867,623</u>	 <u>14,884,777</u>	 <u>13,612,420</u>
 Operating Income (Loss)	 <u>(1,372,824)</u>	 <u>(1,015,747)</u>	 <u>(305,335)</u>
 Non-Operating Income			
Interest income	<u>1,502</u>	<u>15,962</u>	<u>21,032</u>
 Excess of (Expenses) Over Revenue	 (1,371,322)	 (999,785)	 (284,303)
 Net Assets at Beginning of Year	 <u>4,558,633</u>	 <u>5,558,418</u>	 <u>5,842,721</u>
 Net Assets at End of Year	 \$ <u>3,187,311</u>	 \$ <u>4,558,633</u>	 \$ <u>5,558,418</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 13,164,613	\$ 10,757,756	\$ 10,479,433
Other receipts from operations	802,497	745,573	671,976
Cash payments to employees and for employee-related cost	(7,043,111)	(6,595,065)	(6,369,627)
Cash payments for other operating expenses	<u>(4,861,004)</u>	<u>(4,943,922)</u>	<u>(4,399,729)</u>
Net cash provided (used) by operating activities	<u>2,062,995</u>	<u>(35,658)</u>	<u>382,053</u>
Cash flows from investing activities:			
Collections on physician and nurse loans	35,783	51,395	14,747
Loans to physicians and nursing students	(60,500)	(74,200)	-0-
Net change in other assets	<u>(29,733)</u>	<u>(20,674)</u>	<u>(9,535)</u>
Net cash provided (used) by investing activities	<u>(54,450)</u>	<u>(43,479)</u>	<u>5,212</u>
Cash flows from capital and related financing activities:			
Interest expense	(37,213)	(17,957)	(19,870)
Proceeds from long-term debt	527,700	176,748	107,745
Principal payments on long-term debt	(173,430)	(129,798)	(144,756)
Cash payments for bond issue costs	(5,463)	-0-	-0-
Proceeds from disposal of assets	5,233	5,507	4,266
Acquisition of property, plant and equipment	<u>(494,510)</u>	<u>(430,241)</u>	<u>(151,381)</u>
Net cash provided (used) by capital and related financing activities:	<u>(177,683)</u>	<u>(395,741)</u>	<u>(203,996)</u>
Net increase (decrease) in cash and cash equivalents	1,830,862	(474,878)	183,269
Beginning cash and cash equivalents (overdraft)	<u>(26,390)</u>	<u>448,488</u>	<u>265,219</u>
Ending cash and cash equivalents (overdraft)	\$ <u>1,804,472</u>	\$ <u>(26,390)</u>	\$ <u>448,488</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>31,997</u>	\$ <u>17,957</u>	\$ <u>19,870</u>

See accompanying notes to financial statements

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (1,372,824)	\$ (1,015,747)	\$ (305,335)
Interest expense considered capital financing activity	37,213	17,957	19,870
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	373,573	367,528	386,839
Provision for bad debt	2,319,368	2,672,673	2,371,304
(Gain) loss on disposal of assets	27	20,373	(4,267)
Interest income	1,502	15,962	21,032
(Increase) decrease in:			
Net patient accounts receivable	(2,733,275)	(2,640,505)	(2,270,190)
Estimated third-party payor settlements	3,204,594	231,482	105,120
Inventory	71,613	(18,493)	15,921
Prepaid expenses	(33,021)	5,889	(19,358)
Other receivables	(537)	6,987	(7,373)
Increase (decrease) in:			
Accounts payable	44,257	260,041	(52,333)
Accrued expenses and withholdings payable	<u>150,505</u>	<u>40,195</u>	<u>120,823</u>
Net cash provided (used) by operating activities	\$ <u>2,062,995</u>	\$ <u>(35,658)</u>	\$ <u>382,053</u>

See accompanying notes to financial statements

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana (referred to as "the District") was created by an ordinance of the Concordia Parish Police Jury on April 26, 1961, and was referred to as Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center.

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia Parish Police Jury based on Statement No. 14 of the national Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, clinic and home health services (by joint venture effective July 15, 2000)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses the accrual method of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

On October 1, 2002, the District adopted the provisions of Statement No. 34 (Statement 34) of GASB, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt"

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The adoption of Statement 34 resulted in the previously reported unrestricted fund balance amount being classified to conform to the above net asset classifications. Additionally, the District restated the 2002 statement of cash flows to conform to the direct method of reporting cash receipts and disbursements.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Inventory

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out, method.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the years of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Revenue and Expenses

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are included in income or loss from operations; all peripheral transactions are reported as a component of nonoperating income.

Uncollectible Accounts

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenue to establish an allowance for uncollectible accounts.

Credit Risk

The District provides medical care to Concordia Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 13. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledged of securities, and government backed mutual or trust funds.

The Hospital's cash and investments are categorized below to give an indication of the level of risk assumed at September 30, 2004, 2003 and 2002. Category (1) includes investments that are insured, or registered in the Hospital's name, or for which the securities are held by the Hospital or its agent in the Hospital's name. Category (2) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Hospital's name. Category (3) includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Hospital's name. Balances at September 30 were as follows:

	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
2004				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S. Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	<u>1,804,472</u>	<u>-0-</u>	<u>-0-</u>	<u>1,804,472</u>
Totals	\$ <u>1,804,472</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,804,472</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
2003				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S. Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	(26,390)	-0-	-0-	(26,390)
Totals	\$ (26,390)	\$ -0-	\$ -0-	\$ (26,390)

	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
2002				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S. Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	448,488	-0-	-0-	448,488
Totals	\$ 448,488	\$ -0-	\$ -0-	\$ 448,488

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	2004	2003	2002
Net patient accounts receivable	\$ 4,572,804	\$ 4,487,897	\$ 4,658,065
Estimated uncollectibles	(1,676,000)	(2,005,000)	(2,143,000)
Total	\$ 2,896,804	\$ 2,482,897	\$ 2,515,065

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation:

	September 30, <u>2003</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2004</u>
Land	\$ 117,400	\$ -0-	\$ 404	\$ 116,996
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	11,380	27,197
Building & fixed equipment	4,733,625	387,585	-0-	5,121,210
Major moveable equipment	6,013,557	106,925	6,003	6,114,479
Total	11,042,090	494,510	17,787	11,518,813
Accumulated depreciation	7,884,519	372,367	12,525	8,244,361
Net property, plant and equipment	\$ <u>3,157,571</u>	\$ <u>122,143</u>	\$ <u>5,262</u>	\$ <u>3,274,452</u>

	September 30, <u>2002</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2003</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Building & fixed equipment	4,733,626	-0-	1	4,733,625
Major moveable equipment	5,763,311	430,242	179,996	6,013,557
Total	10,791,845	430,242	179,997	11,042,090
Accumulated depreciation	7,672,118	366,517	154,116	7,884,519
Net property, plant and equipment	\$ <u>3,119,727</u>	\$ <u>63,725</u>	\$ <u>25,881</u>	\$ <u>3,157,571</u>

	September 30, <u>2001</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2002</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Building & fixed equipment	4,733,626	-0-	-0-	4,733,626
Major moveable equipment	5,672,023	152,368	61,080	5,763,311
Total	10,700,557	152,368	61,080	10,791,845
Accumulated depreciation	7,346,383	385,827	60,092	7,672,118
Net property, plant and equipment	\$ <u>3,354,174</u>	\$ <u>(233,459)</u>	\$ <u>988</u>	\$ <u>3,119,727</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The hospital facility was originally built by the Concordia Parish Police Jury which issued ad valorem tax bonds to finance its construction. The facility assets were transferred to the District's financial statements with corresponding increases in fund balance

Property, plant and equipment includes fully depreciated assets which are still in service in the amount of \$5,278,757, \$4,811,321 and \$4,504,112 for 2004, 2003 and 2002, respectively.

These assets were obtained in part with funds from a Hill-Burton program grant of \$675,843. The Hill-Burton program has the ability to recapture a portion of that grant should the facility be taken out of service or used by an unqualified recipient.

A summary of assets held under capital leases, which are included in property, plant and equipment, at September 30 follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Equipment	\$ 1,511,861	\$ 1,484,161	\$ 1,307,413
Accumulated depreciation	<u>(1,297,443)</u>	<u>(1,228,046)</u>	<u>(1,189,231)</u>
Total	\$ <u>214,418</u>	\$ <u>256,115</u>	\$ <u>118,182</u>

NOTE 6 - OTHER ASSETS

Other assets consist of the following:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 88,534	\$ 65,267	\$ 42,056
Notes receivable from nursing students	8,533	7,083	7,489
Unamortized bond issue cost	5,099	842	1,854
LHA Trust Fund equity	<u>162,218</u>	<u>132,485</u>	<u>111,812</u>
Total	\$ <u>264,384</u>	\$ <u>205,677</u>	\$ <u>163,211</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
State and federal taxes payable	\$ 16,444	\$ 7,811	\$ 12,678
Accrued salaries and fees payable	153,524	132,053	113,068
Accrued compensated absences	415,976	329,040	301,146
Payroll withholdings payable	128,259	112,664	124,148
Louisiana mandated service charge	395	390	351
Vested sick pay payable	<u>275,984</u>	<u>258,119</u>	<u>248,491</u>
Total	\$ <u>990,582</u>	\$ <u>840,077</u>	\$ <u>799,882</u>

NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and vested sick pay for employees with over ten years of service and paid days off have been recorded as liabilities in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 9 - ESTIMATED THIRD-PARTY SETTLEMENTS

During May, 2004, the District was overpaid \$4,341,960 due to a claims processing error. The Medicare intermediary is recovering the overpayment through an offset of Medicare claims as they are being processed. The balance due as of September 30, 2004 was \$3,294,406.

NOTE 10 - PENSION PLAN

The District administers and is trustee of a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan. An employee is 100% vested upon entry to the plan with retirement age being age 59 ½. Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 6% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was \$319,534, \$295,039 and \$277,545 in 2004, 2003 and 2002, respectively. Employee contributions for each fiscal year are summarized below:

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 10 - PENSION PLAN (Continued)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Employee mandatory contributions	\$ 358,701	\$ 357,898	\$ 333,728
Employee voluntary contributions	<u>44,734</u>	<u>35,785</u>	<u>39,624</u>
Total	\$ <u>403,435</u>	\$ <u>393,683</u>	\$ <u>373,352</u>

NOTE 11 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, at September 30:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
6.0 percent Series 1994 Certificates of Indebtedness due November 1, 2004, collateralized by a pledge and dedication of the District's excess annual revenues over expenses	\$ -0-	\$ 80,723	\$ 181,766
4.25 percent Series 2003 Certificates of Indebtedness due January 20, 2014, collateralized by a pledge and dedication of the District's excess annual revenues over expenses	472,857	-0-	-0-
Capital obligations at varying rates of imputed interest from 3.1 percent to 18.9 percent collateralized by leased equipment	<u>202,903</u>	<u>240,767</u>	<u>92,774</u>
Total long-term debt	675,760	321,490	274,540
Less current maturities of long-term debt	<u>111,766</u>	<u>134,907</u>	<u>119,940</u>
Long-term debt	\$ <u>563,994</u>	\$ <u>186,583</u>	\$ <u>154,600</u>

The Series 1994 Certificates of Indebtedness were issued to construct a new ICU wing. The Series 2003 Certificates of Indebtedness were issued for roof replacement.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 11 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 42,182	\$ 19,281	\$ 61,463
2006	44,010	17,453	61,463
2007	45,917	15,546	61,463
2008	47,907	13,556	61,463
2009	49,983	11,480	61,463
2010 - 2014	<u>242,858</u>	<u>23,480</u>	<u>266,338</u>
Total certificates of indebtedness	\$ <u>472,857</u>	\$ <u>100,796</u>	\$ <u>573,653</u>

Scheduled principal and interest payments on capital leases are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 69,584	\$ 12,261	\$ 81,845
2006	56,299	7,895	64,194
2007	41,870	4,222	46,092
2008	35,150	1,249	36,399
2009	-0-	-0-	-0-
Subsequent to 2009	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital leases	\$ <u>202,903</u>	\$ <u>25,627</u>	\$ <u>228,530</u>

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in various years through 2008. These leases are all cancelable with notice. Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 12 - OPERATING LEASES (Continued)

Minimum future lease payments under operating leases as of September 30, 2004, and for each subsequent year in aggregate are provided below:

<u>Year Ending September 30,</u>	<u>Amount</u>
2005	\$ 30,161
2006	27,400
2007	27,400
2008	22,833
2009	<u>-0-</u>
<i>Total minimum lease payments</i>	<u>\$ 107,794</u>

NOTE 13 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis with a hold harmless provision for cost reimbursement until January 1, 2006, unless legislation is passed to extend this provision. Swing bed routine services are reimbursed based upon a prospectively determined rate per day.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2003.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid prospectively based upon a fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through September 30, 2000.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended September 30, 2004, 2003 and 2002, follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Medicare and Medicaid gross patient charges	\$ 20,105,797	\$ 20,785,734	\$ 17,621,276
Contractual adjustments	<u>(13,161,129)</u>	<u>(13,227,942)</u>	<u>(11,222,352)</u>
Program patient service revenue	\$ <u>6,944,668</u>	\$ <u>7,557,792</u>	\$ <u>6,398,924</u>
Percent of total patient gross charges	<u>74%</u>	<u>76%</u>	<u>70%</u>
Percent of total net patient revenues	<u>55%</u>	<u>57%</u>	<u>51%</u>

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of income and equity in the trust in its financial statements.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 15 - SALES TAX REVENUE

During the year ended September 30, 1985, the voters of the District passed a one-fourth cent sales tax, which was renewed for an additional ten years in 1995. An additional ten year renewal was approved by voters in January, 2005. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee.

NOTE 16 - SELF-FUNDED BENEFIT PLAN

The District maintains a self-funded medical/drug benefit plan. The District entered into an agreement on November 1, 1997, with Insurance Management Administrators of Louisiana, Inc. for administration of the plan. The District purchases "excess" insurance coverage that provides for payment of claims over the \$27,500 specific deductible and \$972,500 maximum specific excess loss.

NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 13) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined. Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 17 - CONTINGENCIES (Continued)

and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Medicaid Uncompensated Cost - The District received interim amounts of \$1,260,892, \$1,286,595 and \$1,008,120 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2004, 2003 and 2002, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Current regulation does not provide for settlement of underpayments by Medicaid. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund is also a "Grantor Trust" and income and expenses are pro rated to member hospitals. The District included these allocations of income and equity in the trust in its financial statements.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE 18 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. The cost of free care provided is \$99,730, \$13,299 and \$69,630 for the respective fiscal years ended in 2004, 2003 and 2002.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

NOTE 19 - JOINT VENTURE

The District entered into a cooperative endeavor (ie: joint venture) with a home health company on July 15, 2000. The District shares one-third of the profits and leases space to this organization. The District's share of profits were \$73,232, \$75,291 and \$124,850 for fiscal years ended in 2004, 2003 and 2002, respectively. Rental income was \$19,500, \$18,000 and \$18,000 for fiscal years ended in 2004, 2003 and 2002, respectively.

NOTE 20 - GOING CONCERN

As shown in the accompanying financial statements, the District incurred a net loss of \$1,371,322 during the year ended September 30, 2004. This loss combined with the four previous years of negative earnings creates an uncertainty about the District's ability to continue as a going concern. *Management of the District has developed the following plan to reduce its receivables and expenses and return the District to a profitable position. The ability of the District to continue as a going concern is dependent on the plan's success. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.*

- Effective November 1, 2004, the District converted to critical access hospital status for Medicare reimbursement based on cost rather than a prospectively determined rate per discharge.
- A hiring freeze has been instituted except for critical needs in patient care.
- A reduction in hours worked has been implemented to reduce payroll costs.
- Nursing service is concentrating on daily census as a staffing measure and plans to reduce staffing during low census periods.
- Administration has implemented a new utilization review plan and regularly scheduled case management meetings to reduce patient care costs.
- Case management meetings are held to review all patients near the end of their assigned length of stay to develop discharge plans or transfer to alternate care settings.
- Representatives of administration, nursing service, medical records and all ancillary departments review patient care with the goal of reducing the costs of patient care.
- Analysis of rural health care clinic status for physicians' offices.

SUPPLEMENTARY INFORMATION

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Daily Patient Services:			
Adult and pediatric	\$ 1,473,492	\$ 1,642,259	\$ 1,540,900
Swing bed	38,900	15,600	10,700
Intensive care	686,450	864,000	788,800
Nursery	<u>86,640</u>	<u>94,440</u>	<u>96,000</u>
Total daily patient services	<u>2,285,482</u>	<u>2,616,299</u>	<u>2,436,400</u>
Other Professional Services:			
Operating room			
Inpatient	313,200	349,900	241,630
Outpatient	<u>566,150</u>	<u>580,706</u>	<u>455,587</u>
Total operating room	<u>879,350</u>	<u>930,606</u>	<u>697,217</u>
Recovery room			
Inpatient	129,500	150,150	125,450
Outpatient	<u>127,650</u>	<u>129,600</u>	<u>108,575</u>
Total recovery room	<u>257,150</u>	<u>279,750</u>	<u>234,025</u>
Labor/delivery room			
Inpatient	<u>327,050</u>	<u>317,100</u>	<u>279,850</u>
Anesthesia			
Inpatient	5,100	1,200	-0-
Outpatient	<u>482,692</u>	<u>521,923</u>	<u>475,426</u>
Total anesthesia	<u>487,792</u>	<u>523,123</u>	<u>475,426</u>
Radiology			
Inpatient	1,388,206	1,443,093	1,168,097
Outpatient	<u>3,079,668</u>	<u>3,344,931</u>	<u>3,196,691</u>
Total radiology	<u>4,467,874</u>	<u>4,788,024</u>	<u>4,364,788</u>
Laboratory			
Inpatient	1,792,384	2,000,234	1,733,601
Outpatient	<u>3,408,187</u>	<u>2,770,823</u>	<u>2,582,672</u>
Total laboratory	\$ <u>5,200,571</u>	\$ <u>4,771,057</u>	\$ <u>4,316,273</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Blood			
Inpatient	\$ 162,804	\$ 172,728	\$ 73,612
Outpatient	<u>69,998</u>	<u>33,939</u>	<u>10,001</u>
Total blood	<u>232,802</u>	<u>206,667</u>	<u>83,613</u>
Respiratory care			
Inpatient	2,594,958	2,736,383	2,335,758
Outpatient	<u>244,501</u>	<u>226,393</u>	<u>238,571</u>
Total respiratory care	<u>2,839,459</u>	<u>2,962,776</u>	<u>2,574,329</u>
IV therapy			
Inpatient	1,216,394	1,348,208	1,232,130
Outpatient	<u>420,459</u>	<u>407,256</u>	<u>428,446</u>
Total IV therapy	<u>1,636,853</u>	<u>1,755,464</u>	<u>1,660,576</u>
Physical & speech therapy			
Inpatient	15,580	15,946	10,990
Outpatient	<u>51,052</u>	<u>89,937</u>	<u>328,182</u>
Total physical & speech therapy	<u>66,632</u>	<u>105,883</u>	<u>339,172</u>
EKG and EEG			
Inpatient	121,816	118,116	111,898
Outpatient	<u>176,372</u>	<u>143,640</u>	<u>150,472</u>
Total EKG and EEG	<u>298,188</u>	<u>261,756</u>	<u>262,370</u>
Medical supply			
Inpatient	1,416,309	1,560,603	1,504,426
Outpatient	<u>1,426,873</u>	<u>1,347,615</u>	<u>1,321,917</u>
Total medical supply	\$ <u>2,843,182</u>	\$ <u>2,908,218</u>	\$ <u>2,826,343</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Pharmacy			
Inpatient	\$ 1,573,309	\$ 1,740,667	\$ 1,485,716
Outpatient	<u>671,687</u>	<u>583,836</u>	<u>500,822</u>
Total pharmacy	<u>2,244,996</u>	<u>2,324,503</u>	<u>1,986,538</u>
Emergency room			
Inpatient	(60)	160	(310)
Outpatient	<u>822,088</u>	<u>806,875</u>	<u>791,610</u>
Total emergency room	<u>822,028</u>	<u>807,035</u>	<u>791,300</u>
Emergency room physician fees			
Inpatient	(5,558)	(3,000)	(2,564)
Outpatient	<u>989,574</u>	<u>1,008,790</u>	<u>1,021,227</u>
Total emergency room physician fees	<u>984,016</u>	<u>1,005,790</u>	<u>1,018,663</u>
Hospitalist physician fees			
Inpatient	265,460	206,750	11,965
Outpatient	<u>4,011</u>	<u>3,115</u>	<u>280</u>
Total hospitalist physician fees	<u>269,471</u>	<u>209,865</u>	<u>12,245</u>
Monitor			
Inpatient	338,786	392,882	396,704
Outpatient	<u>6,174</u>	<u>3,724</u>	<u>5,096</u>
Total monitor	<u>344,960</u>	<u>396,606</u>	<u>401,800</u>
Cardiac rehab			
Outpatient	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>10,130</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Clinics			
<i>St. Joseph</i>	\$ 67,441	\$ 161,494	\$ 252,639
<i>Ferriday #1</i>	75,354	148,169	112,294
<i>Pediatric clinic</i>	150,365	14,890	-0-
<i>Darakshan clinic</i>	<u>255,485</u>	<u>-0-</u>	<u>-0-</u>
Total clinics	<u>548,645</u>	<u>324,553</u>	<u>364,933</u>
Total other professional services	<u>24,751,019</u>	<u>24,878,776</u>	<u>22,699,591</u>
Gross patient service revenue	<u>27,036,501</u>	<u>27,495,075</u>	<u>25,135,991</u>
Deductions from Revenue:			
Medicare and Medicaid contractual adjustments	14,422,021	14,514,537	12,230,472
Uncompensated care reimbursement	(1,260,892)	(1,286,595)	(1,008,120)
Uncompensated services	99,730	-0-	-0-
Other	<u>1,082,348</u>	<u>1,100,354</u>	<u>1,269,136</u>
Total deductions from revenue	<u>14,343,207</u>	<u>14,328,296</u>	<u>12,491,488</u>
Net patient service revenue	\$ <u>12,693,294</u>	\$ <u>13,166,779</u>	\$ <u>12,644,503</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF OTHER REVENUE
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Meals sold to employees	\$ 53,199	\$ 55,019	\$ 48,381
Medical records revenue	13,546	13,116	13,713
Vending machine commissions	2,415	2,528	2,478
Rental income	33,262	31,250	29,225
Home health joint venture payments	73,232	75,291	124,850
Miscellaneous revenue	<u>85,417</u>	<u>70,879</u>	<u>48,682</u>
Total other revenue	\$ <u>261,071</u>	\$ <u>248,083</u>	\$ <u>267,329</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Administration	\$ 556,007	\$ 575,099	\$ 623,230
Plant operations and maintenance	136,974	123,628	155,619
Laundry	12,873	15,109	14,261
Housekeeping	129,584	102,997	92,661
Dietary and cafeteria	147,675	151,464	131,907
Medical records	142,194	159,160	151,254
Nursing services	991,822	1,008,946	886,848
Intensive care unit	637,086	651,439	655,073
Nursery	68,954	74,270	63,470
Operating room	246,015	264,631	248,725
Delivery room	450,556	377,745	352,657
Anesthesiology	276,529	275,773	275,773
Radiology	363,490	304,278	304,767
Laboratory	422,371	444,620	392,710
Respiratory therapy	299,059	308,298	276,484
Central supply	57,434	56,039	51,133
Pharmacy	154,370	169,575	154,858
Cardiac rehab	-0-	-0-	9,241
Emergency room	433,140	454,650	436,732
Clinic	<u>578,938</u>	<u>281,621</u>	<u>268,093</u>
 Total salaries	 <u>6,105,071</u>	 <u>5,799,342</u>	 <u>5,545,496</u>
 Payroll taxes	 79,887	 73,949	 68,743
Hospital insurance	670,416	430,151	572,795
Other	<u>18,708</u>	<u>36,779</u>	<u>25,869</u>
 Total benefits	 <u>769,011</u>	 <u>540,879</u>	 <u>667,407</u>
 Total salaries and benefits	 \$ <u>6,874,082</u>	 \$ <u>6,340,221</u>	 \$ <u>6,212,903</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Nursing services	\$ 9,860	\$ 7,120	\$ 8,107
Intensive care unit	5,913	9,079	14,433
Nursery	4,680	5,051	6,661
Operating room	110,249	119,495	101,642
Delivery room	30,923	37,261	45,603
Anesthesiology	5,448	7,421	4,874
Radiology	64,401	77,416	72,882
Laboratory and blood	477,707	488,430	442,435
IV therapy	78,433	82,121	79,910
Respiratory therapy	36,103	33,703	32,261
Physical therapy	-0-	97	540
Central supply	227,730	232,079	188,713
Pharmacy	630,445	574,531	470,180
Cardiac rehab	640	-0-	4,756
Emergency room	25,009	24,138	26,108
Clinics	<u>11,636</u>	<u>17,168</u>	<u>11,383</u>
Total medical supplies and drugs	\$ <u>1,719,177</u>	\$ <u>1,715,110</u>	\$ <u>1,510,488</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - PROFESSIONAL FEES
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Nursery	\$ 3,840	\$ 3,840	\$ 960
Operating room	65,000	64,032	65,000
Ultrasound	132,894	229,130	137,592
Laboratory	12,000	12,000	13,000
Physical therapy	33,194	53,161	169,372
Emergency room	899,664	836,025	831,072
Hospitalist	<u>363,026</u>	<u>511,023</u>	<u>-0-</u>
Total professional fees	\$ <u>1,509,618</u>	\$ <u>1,709,211</u>	\$ <u>1,216,996</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - OTHER EXPENSES
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Contract services	\$ 95,232	\$ 69,595	\$ 48,197
Collection fees	92,688	80,379	26,182
Director fees	2,075	2,100	2,100
Legal and accounting	49,430	57,772	54,513
Supplies	331,632	372,317	359,838
Repairs and maintenance	220,760	275,569	255,862
Utilities	212,187	256,397	211,083
Telephone	61,867	51,464	55,361
Travel	10,919	16,992	29,370
Rentals	75,162	72,630	70,704
Education	6,179	4,242	6,584
Advertising	26,363	30,365	10,026
Dues and subscriptions	81,950	78,426	62,083
Miscellaneous	<u>74,710</u>	<u>73,304</u>	<u>69,053</u>
 Total other expenses	 \$ <u>1,341,154</u>	 \$ <u>1,441,552</u>	 \$ <u>1,260,956</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF PER DIEM AND OTHER
COMPENSATION PAID TO BOARD MEMBERS
YEARS ENDED SEPTEMBER 30, 2004, 2003 AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Board Members:			
Mr. Larry McManus	\$ 300	\$ 300	\$ 300
Mr. Theodore McCoy	300	300	300
Mr. Lynn White	-0-	-0-	175
Mr. Fred Butcher	300	300	300
Mrs. Rena Pitts	300	300	300
Ms. Carolyn Magoun	275	-0-	-0-
Dr. Sarah Lee	75	300	300
Dr. Herman Gibson	225	-0-	-0-
Ms. Juanita Alwell	-0-	300	300
Mr. Jim Graves	300	300	125
	<hr/>	<hr/>	<hr/>
Totals	\$ <u>2,075</u>	\$ <u>2,100</u>	\$ <u>2,100</u>

Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA

Melanie I. Layssard, CPA
Brenda J. Lloyd, CPA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Parishwide Hospital Service District
of the Parish of Concordia,
State of Louisiana
("Riverland Medical Center")
Ferryday, Louisiana

We have audited the basic financial statements of the Parishwide Hospital Service District of the Parish of Concordia, Riverland Medical Center (the District or the Hospital) as of and for the years ended September 30, 2004, 2003 and 2002, and have issued our report thereon dated February 3, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverland Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverland Medical Center's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Board of Commissioners
Parishwide Hospital Service District
of the Parish of Concordia, State of Louisiana
Page Two

This report is intended for the information and use of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants

February 3, 2005

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2004

September 30, 2002:

Finding: The District has incurred losses in each of the last three (3) reporting periods.

Recommendation: We recommend management expand existing and identify new revenue sources which exceed expenses needed to generate the revenues. We also recommend management monitor all services and where possible, eliminate services which produce losses. All expenses, including staffing and benefits should be examined in search of efficiencies or excesses.

Management's Response: Administration will follow the recommendations to increase revenue and control costs. In addition the management team will review all aspects of the billing and collection process to increase amounts collected and reduce bad debt. Discharge planning will occur on all patients to try to reduce Medicare length of stay and to reduce patient costs. Administration, nursing services and medical records will work with staff physicians to achieve the most effective use of hospital assets. Collection personnel must work to reduce the number and amount of accounts aging past 360 days. When available, health insurance will be filed instead of liability insurance to reduce collection time. Efforts will be increased to collect from cash patients at the time of service. Payment will be required prior to non-emergency treatments or testing.

Resolution: This matter has not been resolved.

September 30, 2003:

Professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed adjustments to accounts receivable, contractual adjustments, allowances, accounts payable, and capital leases that could, in our judgment, either individually or in the aggregate, have a significant effect on the District's financial reporting process.

Finding: A significant number of adjusting journal entries was necessary during the audit in order to present the District's financial statements according to generally accepted accounting principles. Prior year audit adjusting entries were not entered into the District's accounting system until August, 2003. The preliminary net income for the twelve months ended September 30, 2003 was reduced by over \$2.5 million dollars to produce a net loss as reported according to generally accepted accounting principles.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2004

September 30, 2003: (Continued)

Recommendation: We recommend management place more emphasis on accurately reporting the District's financial status on an interim basis. Accurate interim information is necessary to make informed decisions throughout the year. We also recommend management monitor Medicare, Medicaid and insurance contractual adjustments as well as bad debt percentages during the year in order to provide more meaningful interim information.

Management's Response: Administration will place more emphasis on timely and accurate interim financial statements. Administration will monitor Medicare and Medicaid payments and adjustments each month to accurately track financial adjustments.

Resolution: While improvement in the financial reporting area was noted, efforts should continue so that additional progress can be made.

Finding: We noted a new equipment lease that met operating lease criteria that was being treated as a capital lease.

Recommendation: Leases should be reviewed upon inception to determine if they meet the criteria for capitalization. If such criteria are met, they should be capitalized and the asset and liability should be recorded. If the leases are determined to be operating leases, then the periodic lease payments should be expensed.

Management's Response: The Administrator and CFO will consult with the CPA on all leases to determine if the lease is a capital or operating lease.

Resolution: This matter has not been resolved.

Finding: Medicare swing bed claims for the twelve month audit period were not processed for payment before the cost report submission deadline.

Recommendation: Accounts receivable for the District should be more proactively monitored in order to expedite payments due. Management should review collection status on a monthly basis. Responsibilities should be communicated to each member of the collections staff and aging reports for their area of accountability should be reviewed with them.

Management's Response: The Medicare swing bed claims have been properly filed and payment is in process.

Resolution: This matter has been resolved.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2004

September 30, 2004:

Finding: We noted that a capital lease did not contain a nonappropriation clause or was not approved by the Louisiana State Bond Commission.

Recommendation: We recommend obtaining nonappropriation clauses for all capital leases

Management's Response: The District will request an addendum to add the nonappropriation clause

Finding: The District did not include all activity or bank account balance of a checking account on the books of the District

Recommendation: We recommend recording all assets owned by the District on the books of the District and its financial statements

Management's Response: All assets owned by the District will be recorded on the books of the District and its financial statements.

Finding: The District utilizes a signature stamp for signing checks during the absence of the administrator and assistant administrator. The custodian of the signature stamp has an incompatible duty which disqualifies her as a check signer.

Recommendation: We recommend that the District revise check signing policy and procedures in order to strengthen internal controls over cash disbursements. If the signature stamp is still considered necessary, the employee with possession of the stamp should not have authority to produce cash disbursements, payables or payroll.

Management's Response: Management will segregate duties.

Finding: The Finance Committee has been delegated with pre-approval oversight for all administrative travel. However, a sample of expense reimbursement vouchers for the administrator did not have that approval documented with his expense reimbursement check.

Recommendation: We recommend that a member of the finance committee review and approve all administrative expense reimbursement requests before the transaction is processed.

Management's Response: Authorization for payment will be documented on future expense reimbursement forms.